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EXTENSION OF TARGETED JOBS TAX CREDIT[1]

Scheduled for Markup by the Ways and Means Subcommittee on Select Revenue Measures

Present Law

Tax credit rules

The targeted jobs tax credit is available on an elective basis for hiring individuals from nine targeted groups. The targeted groups are: (1) vocational rehabilitation referrals; (2) economically disadvantaged youths aged 18 through 22; (3) economically disadvantaged Vietnam-era veterans; (4) Supplemental Security Income (SSI) recipients; (5) general assistance recipients; (6) economically disadvantaged cooperative education students aged 16 through 19; (7) economically disadvantaged former convicts; (8) Aid to Families with Dependent Children (AFDC) recipients and Work Incentive (WIN) registrants; and (9) economically disadvantaged summer youth employees aged 16 or 17. Certification of targeted group membership is required as a condition of claiming the credit.

The credit generally is equal to 40 percent of the first $6,000 of qualified first-year wages paid to a member of a targeted group. Thus, the maximum credit generally is $2,400 per individual. With respect to economically disadvantaged summer youth employees, however, the credit is equal to 40 percent of up to $3,000 of wages, for a maximum credit of $1,200.

The credit is not available for wages paid to a targeted group member unless the individual either (1) is employed by the employer for at least 90 days (14 days in the care of economically disadvantaged summer youth employees), or (2) has completed at least 120 hours of work performed for the

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[1]For a more detailed description of present law and background and discussion of related issues, see Joint Committee on Taxation pamphlet, Present Law and Issues Relating to the Targeted Jobs Tax Credit (H.R. 452, H.R. 815, and H.R. 2098) (JCS-13-89), May 24, 1989.

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employer (20 hours in the case of economically disadvantaged summer youth employees). Also, the employer's deduction for wages must be reduced by the amount of the credit claimed.

The credit is available with respect to targeted-group individuals who begin work for the employer before January 1, 1990.

Authorization for administrative expenses

Present law also authorizes appropriations for administrative and publicity expenses relating to the credit through September 30, 1989. These monies are to be used by the Internal Revenue Service (IRS) and Department of Labor to inform employers of the credit program and for administrative expenses.

Explanation of Proposal

Extension of the credit

The Subcommittee could extend the targeted jobs credit for three additional years. Under the proposal the credit would be available for wages paid to targeted-group individuals who begin work for an employer after December 31, 1989 and before January 1, 1993.

Authorization for administrative expenses

The proposal also would extend the authorization for appropriations for administrative and publicity expenses to fiscal years 1990 through 1992. To the extent feasible, the Internal Revenue Service and the Department of Labor should inform employers (e.g., through press releases or announcements) of the extension of the credit.

Effective Date

The provisions would apply with respect to targeted-group individuals who begin work for the employer after December 31, 1989, and before January 1, 1993. Under the proposal, the credit does not apply with respect to individuals who begin work for the employer after December 31, 1992.

Revenue Effect

The provisions are estimated to reduce fiscal year budget receipts by $47 million in 1990, $134 million in 1991, $196 million in 1992, $173 million in 1993, and $97 million in 1994.